

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Before the Director of the Department of Insurance and Financial Services

In the matter of:

JAMES J. CARNAGHI
System ID No. 0064940

ENFORCEMENT CASE NO. 13-11911

Respondent.

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Issued and entered
on December 30, 2013
By Teri L. Morante
Chief Deputy Director

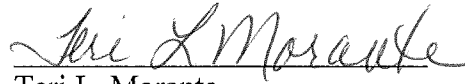
**ORDER OF SUMMARY SUSPENSION, NOTICE OF OPPORTUNITY FOR HEARING,
AND NOTICE OF INTENT TO REVOKE**

Pursuant to the Section 1242 of the Michigan Insurance Code (Code), MCL 500.1242, and Section 92 of the Michigan Administrative Procedures Act (APA), MCL 24.292, and based upon the attached FINDINGS, including that public health, safety and welfare requires emergency action,

IT IS THEREFORE ORDERED that:

1. The insurance producer license and authority of Respondent are **SUMMARILY SUSPENDED**.
2. A copy of this Order shall be immediately served upon Respondent. This order shall be effective upon the date of service.
3. If requested by Respondent, a hearing on this matter shall be held within a reasonable time, but not later than 20 calendar days after service of this Order, unless Respondent requests a later date. The hearing shall address the following issues:
 - a. Whether the suspension should be continued or withdrawn.
 - b. Whether Respondent's license should be revoked.
4. If a hearing is requested, an administrative law judge from the Michigan Administrative Hearing System shall preside over any such hearing.

5. The Director retains jurisdiction of the matters contained within and the authority to issue such further Orders as shall be deemed just, necessary, and appropriate.


Teri L. Morante
Chief Deputy Director

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Pursuant to Executive Order 2013-1 the Director has assumed the statutory authority and responsibility, granted to the Commissioner by the Code, MCL 500.100 *et seq.*, to exercise general supervision and control over persons transacting the business of insurance in Michigan.
2. The Department of Insurance and Financial Services (DIFS) has jurisdiction over Respondent and the subject matter of this proceeding pursuant to the provisions of the Code, MCL 500.100 *et seq.*
3. At all relevant times to the events described herein, James J. Carnaghi was a licensed resident producer with qualifications in accident and health, casualty, life, property and variable annuities and was authorized to transact the business of insurance in Michigan.
4. Based upon the information as set forth below, protection of the public health, safety, and/or welfare requires emergency action.
5. On or about July 23, 2013, DIFS received a complaint from the Lapeer County Sheriff's Department stating that Respondent had issued fraudulent certificates of insurance to a number of Michigan residents. Upon further investigation into the matter, DIFS confirmed that Respondent did in fact issue a number of fraudulent certificates of insurance in the state of Michigan.
6. On November 17, 2013, Respondent was arrested by the Lapeer County Sheriff's Department. During his arrest, Respondent had in his possession a check in the amount of \$335 for insurance written from a bank account belonging to S. M . The Lapeer County Sheriff's Department contacted S. M and advised her of the check and requested that she verify with her insurance carrier that she has automobile insurance coverage. S. M , upon contacting 21st Century Insurance Company (21st Century), learned that her automobile was not insured and her certificate of insurance was not a valid certificate issued by 21st Century.
7. DIFS investigation found that on or about October 28, 2013, Respondent sold three months of automobile insurance coverage to S. M with an effective date of October 24, 2013. Respondent provided S. M with a certificate of insurance purportedly from 21st Century, policy number .

8. On November 19, 2013, DIFS provided S. M certificate of insurance to 21st Century to determine whether it represented valid insurance coverage. On November 20, 2013, DIFS received confirmation from 21st Century that the certificate of insurance was indeed fraudulent and policy number referenced on S. M certificate of insurance belonged to Respondent. Respondent is the only driver listed on said policy.
9. DIFS investigation further revealed that Respondent provided fraudulent certificates of automobile insurance coverage to the following Michigan residents:

First Name Initial	Last Name	Company	Policy #	Effective Date	Expiration Date
D.	M	21st Century		6/2/2013	8/2/2013
A.	W	21st Century		5/31/2013	7/11/2013
S.	G	21st Century		6/7/13	12/7/13
T.	F	21st Century		4/29/2013	5/27/2013
M.	J	21 st Century		10/28/13	11/28/13
T.	B	Affirmative		6/8/2013	9/8/2013
R.	S	American Fellowship Mutual Insurance Company		3/11/2013	6/10/2013

First Name Initial	Last Name	Company	Policy #	Effective Date	Expiration Date
J.	S	Dairyland Insurance Company		5/24/2013	5/24/2014
M.	K	Dairyland Insurance Company		7/1/2009	8/1/2009
D.	W	Foremost Insurance Company		6/2/2013	9/5/2013
A.	P	Foremost Insurance Company		6/1/2013	7/1/2013
T.	B	Foremost Insurance Company		6/8/2013	9/8/2013
R.	S	Foremost Insurance Company		6/10/2013	9/10/2013
C.	G	Foremost Insurance Company		6/24/2013	7/24/2013
C.	G	Foremost Insurance Company		5/22/2013	6/25/2013

First Name Initial	Last Name	Company	Policy #	Effective Date	Expiration Date
D.	M	Foremost Insurance Company		5/29/2012	8/29/2012
T.	F	Foremost Insurance Company		4/26/2013	6/27/2013
T.	F	Foremost Insurance Company		11/27/2012	2/27/2013
T.	F	Foremost Insurance Company		2/26/2013	5/27/2013
D.	M	Foremost Insurance Company		6/2/2013	9/5/2013
N.	R	Safeco Insurance (a Liberty Mutual Company)		4/29/2013	7/29/2013
R.	K	Titan Insurance (a Nationwide Insurance Company)		4/20/2010	5/20/2010
R.	P	West American Insurance Co.		8/20/2012	10/22/2012

10. Reasonable grounds exist to believe that Respondent has violated provisions of the Code, as set forth above.
11. Respondent knew or reasonably should have known that Section 1239(1)(h) of the Code states that, "the ... [Director] may place on probation, suspend, or revoke an insurance producer's license or may levy a civil fine under section 1244 or any combination of actions ... for ... [u]sing fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere."
12. By engaging in the practice of providing fraudulent automobile insurance certificates to Michigan consumers in exchange for money, Respondent violated MCL 500.1239(1)(h).
13. The alleged conduct of Respondent indicates that a summary suspension of licensure is appropriate and necessary in order to protect the public from further financial damage and other harm and to protect the public interest.
14. The alleged conduct of Respondent indicates that Respondent does not possess the requisite character and fitness to be engaged in the business of insurance, and further indicates that Respondent does not command the confidence of the public nor warrant the belief that Respondent will comply with the law.
15. Due process requirements of the Code and the APA require that the Respondent, subject to summary disciplinary action, be provided with an opportunity for a prompt hearing on the order for summary suspension. A summary suspension of Respondent's license is authorized by Section 92 of the APA, as amended, MCL 24.292, and Section 1242(4) of the Code, MCL 500.1242(4).